

U. S. House of Representatives
Agriculture Subcommittee on Livestock and Horticulture
Testimony presented by: Jim Akers
July 22, 2004

Chairman Hayes and members of the House Agriculture Subcommittee on Livestock and Horticulture, my name is Jim Akers and I represent the Southeastern Livestock Network, LLC, it is indeed a pleasure and an honor to have the opportunity to testify before you on the implementation of the NAIS.

A growing number of cattlemen recognize that the need to protect the nation's cowherd from catastrophic diseases is paramount and that a system to rapidly trace animals from farm to harvest is necessary to provide this protection. I think we all reluctantly realize that some of their independence may be sacrificed in order to achieve rapid traceability of their animals.

The idea of a national database filled with the addresses and GPS coordinates for every farm and ranch with livestock combined with a database to track all animal movements is contradictory to the inherent independence in livestock producers nationwide. Fierce independence and pride are two of the characteristics that have driven cattlemen to continue in an industry that challenges their financial needs but provides a way of life that they cherish.

With the loss of tobacco income over recent years, livestock production has become the mainstay of the small family operations in our region. Many resources have been devoted to assisting family farms in making the transition from a dependence on tobacco to a more diverse production environment, centered around livestock. These small, family operations are not only an important part of the agricultural economy but more importantly an integral component in the fabric of small town America, our American culture and our ecological stability. The Southeast is becoming a more important sector of the livestock production of the United States as increasing pressure on sensitive grazing lands in the West require growth in our region to maintain national beef production.

It is our sincere hope that our efforts are not misunderstood as taking a position against the NAIS, we agree with the need. In reality we believe that the approach to animal identification we have taken is the best hope of achieving the stated objective of the NAIS and developing the key factor that will define its success over time, producers buy-in and participation. We are not a radical organization fostering the thought that regulation, in and of itself, is by definition detrimental. However, regulation that changes the very nature of that which it seeks to monitor is short sighted and wrong.

Even though mention of the Southeast may not bring to mind visions of cowboys and vast cowherds, this region of the country is a significant part of the cattle industry, which represents the largest sector of agriculture in the United States. The 10 states (Alabama, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia) represented by the SouthEast Livestock Network, LLC represent roughly 25 percent of the nation's cattle producers and 20 percent of the cowherd. While the southeastern cowherds may be small individually compared to western herds, collectively they produce almost 25% of the cattle in the country.

These small herds will create unique challenges for implementing the National Animal Identification System, primarily in marketing. The vast majority of cattle in the southeast are sold through auction markets, with cattle buyers playing the important role of assembling larger marketable groups for transportation. This system of trade is extremely important to southeastern producers and must not be disrupted by the implementation of the NAIS.

History of SELN

Representatives of the marketing industry gave impetus for the initial thoughts that led to the creation of the SouthEastern Livestock Network, LLC. Kentucky is home to several of the largest cattle buying firms in the country. These order buyers purchase cattle at auction markets throughout the 10-state SELN region. As these order buyers learned more and more about the plans for a national animal identification program last year, they recognized the potential for a substantial disruption of their business if some type of uniformity in the southeast was not maintained. Since the Kentucky Beef Network had spent the previous two years establishing an electronic cattle management and marketing program, representatives of the largest cattle-buying firms approached the Kentucky Beef Network seeking solutions for their concerns.

Word of the investment by the Kentucky Legislature and the Kentucky Beef Network's management and marketing system had also spread to the other southeastern states. Last fall, executive officers from the southeastern cattlemen's associations initiated discussions about the uniqueness of the southeast relative to implementing the NAIS and the importance of the region working together to assure the region's special needs were met. The group believed the work already underway in Kentucky could be expanded throughout the region to address those unique needs.

Initially the dialogue was informal, as representatives from the southeast explored the common concerns and needs of the region's livestock producers. The discussions became increasingly more focused and lead to the formation of the SouthEastern Livestock Network, LLC in June. This organization is committed to assuring southeastern livestock producers benefit from the NAIS without undue burden.

Fundamental Principles and Position of the SELN

Existing Technology

Over the past 10 years, technology has been developed and utilized in value added systems within the cattle industry. These systems have proven to be very functional because they were developed by producers with value and efficiency in mind. Since they are the cornerstone of marketing programs their accuracy is a necessity. The individual identification of cattle utilizing RFID technology is now widely accepted in many circles within the industry. The information management systems already exist and need only be modified to feed the appropriate information to the animal disease traceability system, as needed.

The most accurate systems of livestock traceability are the systems that operate within our markets today. These software and management systems are responsible for

tracking livestock on a transactional basis and therefore have virtually no margin for error. The marketing sector of the industry will most certainly experience radical changes associated with the implementation of NAIS, we should be committed to minimizing this impact by working with them to integrate the data collection process with their existing systems. The Kentucky Beef Network has worked with market software providers to collect animal movement data within the context of the normal market operation and extract the appropriate information at the end of the day to provide a reporting function for the buyers and sellers that participate on that day. Furthermore, we have worked with private industry providers to develop a web based system of housing the resulting data that allows password protected access to those individuals for whom the data was intended.

Many of the other livestock species industries, that are much more integrated, operate with levels of traceability that exceed the requirements of the NAIS. These systems and those existing within the cattle industry should be the foundation of animal traceability. The collective experience that has been developed in the field with the considerations of livestock movement, production efficiency, well being and producer acceptance should not be shoved aside so we can spend inordinate amounts of taxpayer dollars to create yet another cumbersome and disconnected system.

Confidentiality and ownership of data

For all sectors of the livestock industry, confidentiality is the first concern. The very nature of our marketing system is based on the ability of independent business entities to operate in a manner that protects the sensitive business information that would, by necessity, be stored in such a system. The cattle business is the last bastion of free enterprise and independent family business ownership in the livestock industry. These small family operations are the backbone of the entire industry and create the product acceptance and romance that has been the hallmark of BEEF for over a century. This very important sector is at the most risk relative to confidentiality. It depends on the auction market system for survival and that system lives off of the relationships between producer, agent and buyer to fight off the threat of vertical integration that has been the death of family farms in the other livestock sectors.

Responsiveness to advances in technology

There is a long history of government systems being developed to achieve a regulatory requirement and these systems failing over time due to an inability to maintain and update them with the most advanced technologies. In our opinion, privately held systems that answer to the producer and the marketplace have a much better record of maintaining functionality because if they do not they will be replaced by someone new who will.

The implementation of NAIS will inevitably change many aspects of the livestock industry. Incorporating the necessity of animal identification into the production and marketing systems will facilitate a more rapid adoption of the necessary technologies and its use for improvements in the industry itself, while maintaining the very important structure of the industry.

Integration within existing systems

The current systems at work within the cattle industry specifically include auction market, brokerage and production management software packages that already collect more information than is necessary to meet the regulatory requirement. We should focus our resources on incorporating the animal identification number and premise id into these existing systems and then create a reporting function that will allow these very important intermediaries to provide movement reporting as a function of their normal business. Many have been advancing the thought that the collection of animal movement data should be a completely separate function from the commerce that takes place in order to insure that inappropriate information does not find its way into the regulatory channels. We strongly disagree with this philosophy since a completely separate system would require extra investment in additional data collection equipment, additional labor to operate and maintain and would most certainly slow the marketing system. The data management system created by the Southeastern Livestock Network, LLC would provide a platform for all sectors to utilize as the grassroots level of data assimilation. It is our opinion that this type of entity can continually scour the technology suppliers for the equipment and data systems that will create efficiencies and reduce the cost to producers. A common comment among producers and markets is that they don't mind reporting the movement of animals to protect the industry but they are worried about government becoming a part of their daily business functions.

Uniformity

Within this Southeastern region of the United States there are over 300 independently owned and operated livestock marketing facilities that are the foundation of the industry. These markets provide a simple and accessible marketing system for the small producer to move his/her product into the national system. These markets in turn depend on a network of brokers or order-buyers that move from one market to another and put together the livestock from multiple producers into larger more merchantable groups. Many of these buyers operate in as many as 100 different markets scattered across the region on a weekly basis. This situation defines the need for uniformity in reporting mechanisms and procedures across the states within the region. It is our concern that a cumbersome, governmentally operated system would create a scenario that could very easily establish a discount system in particular areas because of local variations in procedures or timeframes associated with data collection and reporting.

The role of the Southeastern Livestock Network, LLC has been and will continue to be one of bringing all the parties impacted by the NAIS to the table to make these important decisions together. Setting guidelines for collection of regulatory information without considering the impact of those decisions on the production or marketing sectors will create those unintended consequences that we fear. We have been successful in facilitating important conversations that have included State Animal Health Authorities, market operators, producers, data and equipment service providers, commodity organizations and educators. These conversations should continue and be the forum where implementation decisions are made since they will bring to light the concerns of

each of these sectors and create a level of appreciation and understanding between the parties. This was the intent of the USAIP process and to an extent it achieved success. However, the missing element was that all regions of the country were represented in the same room and in that environment it was impossible to reach consensus for one national policy on specific issues since there are very stark regional differences that require very different solutions. A good example is the contrast between the western brand states and our Southeastern region. The brand states, in our opinion, have a good framework in place for premise identification since they deal with relatively small numbers of producers and large tracts of land that are fairly static in terms of ownership and control. In contrast the south is an ever changing patchwork of small farms with multiple operators that move livestock from tract to tract independent of land ownership. These two scenarios require very different approaches to identification of both the premises and the animals themselves. These situations can only be dealt with in an appropriate manner when those decisions are made at the local or regional level.

Working Cooperatively

Historically, because of the small size of the production units and the independent nature of the producers themselves, the cost of production for livestock in the southeast has been among the highest in the country. This exists in large part due to the inherent inefficiency of input purchases on a small scale operation. Compounding this is the fact that calves out of the region typically garner the lowest bids in the marketplace due to transportation and environmental differences. Many producers have expressed a concern that NAIS will create yet another advantage for the larger western producers that already operate at distinct advantages on many other fronts.

The Southeastern Livestock Network, LLC has proposed to operate in a manner that will use the collective volume of these many small producers to provide low cost solutions for data collection and transfer. Very few of the markets or producers within the region have the volume required to go into the technology marketplace and formulate a competitive arrangement for services or equipment. However, working collectively we can provide a solution to those who wish to utilize it. We do not intend to force anyone to utilize the SELN system, if it is to their advantage to utilize other services and they can meet the regulatory requirements for reporting, then that should be their decision.

Primary role of State Animal Health Official

We have held from the very beginning that the NAIS should be a state based system. The State Animal Health official is the cornerstone of disease surveillance as it should be. Producers are much more accepting of working with their state official than with federal authorities. The SELN has held that the state animal health official should be the gatekeeper to the data that is collected within that jurisdiction. Our concept is that the privately held data collection system would accumulate the animal movement information associated with the appropriate data and premise numbers and make this information accessible on an as needed basis in a mirrored database system that will allow quick, accurate and appropriate access to information. In this scenario, the confidentiality issue is simpler since the data would remain in the ownership of the

producer until accessed by the state animal health official when it would then enter the public domain.

The state animal health official should be the key figure in insuring that the private systems operating within their jurisdiction are indeed operating in a manner that will provide the appropriate information within the parameters set forth by the NAIS.

Concerns of Integration

Another commonly held and, in our opinion, valid concern is that of NAIS providing a mechanism to force integration within the cattle and other independent livestock sectors. Without question, the use of technology and the ability to respond to changes in regulatory requirements are much easier for larger producers and even more so for corporate, integrated production systems.

The basis of the concern comes on two fronts. The first, that a member of the wholesale or retail sector of the marketing system could dictate a technology that the average, independent producer would be unable to implement or even participate in thereby forcing them to either integrate or leave the business. The second, that entities higher in the marketing system would be able to garner from the system, information that would allow them to arbitrarily differentiate product without the consent of the cow/calf producer thereby setting up a reward/discount structure that could very well put independent producers at a distinct disadvantage.

We must be diligent in our efforts to insure that NAIS is designed to meet the needs and consider the concerns of this very important sector of the agricultural economy and community.

Federal funding

We certainly support funding for USDA to complete the premise allocator and all aspects of the implementation of the premise id system through state veterinarians. Furthermore, it is understood that USDA should play the key role in administration, oversight and compliance surveillance relative to the entire NAIS.

The budget numbers that have been put before you by the USAIP Steering Committee are in our opinion real numbers that will be required to achieve the objective. However, the priorities outlined for those funds are in our opinion misaligned. The focus to this point has been on huge centralized databases and not the most important facets of the system. As we have discussed before, the data management systems required to achieve the objective already exist in private industry and although funding would be required to bring those systems to the necessary level of performance, capacity and uniformity, the sum of those funds would be far less than that required to build one single system from the ground up. The real challenge lies in working with the 800,000 plus producers, thousands of feeders, hundreds of markets and packers to coordinate the collection of this movement data without changing the nature of commerce or slowing it.

Data collection infrastructure

Regardless of the mechanism for transmitting and storing data in the animal disease surveillance system, the real challenge will come in placing the data collection systems in the marketing infrastructure. The auction marketing system, that is so important to the cattle industry, is where the smaller producers will enter the system. It is our opinion that with appropriate modifications the marketing system can provide a reporting service to both buyer and seller without an additional level of workload or complication in their system.

The rapidly developing and ever evolving RFID scanner market is moving aggressively to provide the equipment necessary to achieve this objective. The costs associated with equipping the concentration points to not only read the id devices but assimilate the identification into their software and generate a file for reporting purposes should be shared between the industry and government. We have proposed an approach modeled after the cost share system already operating in Kentucky where a 50/50 match is available to markets to make the necessary improvements, including the improvements and additions required to provide identification services within the market.

It is the position of the SELN, LLC that a program of this manner would be much more effectively delivered by a private entity than through the Animal Health authorities. The reasoning behind this position is that the ability to administrate the distribution of funding and provide the necessary technical support is more easily accomplished outside of state government. The SELN, LLC was formed to provide an organized structure, with oversight, to provide this function.

Tag Distribution

There are many issues relative to the distribution of certified animal identification devices. It is the position of the SELN, LLC that the procedures in place should facilitate easy entry into the system at the most basic levels of the production sector.

Our philosophy has been to create a system that allows easy access to devices in the existing retail marketplace and through entities such as the local veterinarian or sale barn. We have demonstrated an ability to associate these UAINs with the premise id number as the animals enter commerce. This is in stark contrast to the currently held position in the regulatory community that tag distribution should be a reportable event to the national data system.

There is tremendous resistance at the producer level to registering the tags upon distribution, and for good reason. Many producers are concerned about being able to access the tags in a timely manner as many, especially smaller producers, make marketing decisions on very short notice as a matter of everyday operation.

We fully recognize the advantages and disadvantages of both approaches. The strictly regulated system could result in the population of a data management system with large quantities of erroneous data resulting from the swapping of tags after the distribution has been recorded. It most certainly will add considerable cost to the devices themselves by creating the need for an entirely new layer of data collection equipment and infrastructure. The cost of this need is difficult to clearly define but will without

question find its way to the pocketbook of the producer unless government is willing to put the necessary systems in place to achieve the objective.

The system we have proposed is certainly not as tight up front, but in our opinion will result in a larger quantity of more accurate data in the long run. We believe that this will be the result of a much higher degree of acceptance at the producer level coupled with a very accurate system of associating the animal id with the appropriate premise id at the point where everyone concedes is important, that initial entry into commerce.

We further believe that the local veterinarian is a resource that has been ignored in the discussion of implementation. This group of trained and certified individuals is the grassroots connection to the producer and should be considered as a very effective means of entry into the traceability and surveillance system. We encourage USDA to look at program develop that would subsidize the local veterinarian to not only apply devices but provide a basic level of data collection service.

We anticipate that many private industry providers will step forward to provide the services necessary to enter the system. A clear mechanism for certifying these private individuals is needed at the earliest possible stages of implementation to prevent the workload of individual animal identification from gravitating solely to the markets. If there is a prohibitive cost looming in implementation it is the cost of applying id devices for those producers, who may opt to deliver animals to the markets and rely on personnel there to provide identification services.

Education and Communication

A key objective of the SELN is to coordinate this effort across the region. Not only is it important that the information and delivery mechanisms be of the highest quality but that those materials are developed in a manner that account for the specific needs of the region and are delivered in a manner that they will be utilized by producers. The planning of these educational and communication efforts should be carried out by the individuals that understand the specific needs of the region and the cultural and economic considerations that will drive producer acceptance. Commodity organizations and Land Grant University Extension services working with the state Departments of Agriculture should be the center of this decision making, development and delivery process.

Premise ID Systems

We fully support and recognize the appropriateness of the State Animal Health authority serving the function of complete control of the premise identification system. It is our hope that the SELN would, through its network of communication throughout the varying sectors of the industry, be able to provide insight into the implementation strategies that will move this process forward in an efficient and accurate manner. Supporting and communicating the special needs that NAIS has placed on these authorities has been and will continue to be the first objective of the SELN. The appropriate level of funding to achieve the registration of premise id within each member state in a uniform and timely manner is of utmost concern. We fully recognize that, even within this region, there are differences in the current status of premise registry capabilities. Funding should be made available to bring all states to a level of

functionality that will satisfy the requirements of the NAIS. No progress can or will occur in the arena of tracking individual animals without the premise id system protecting the identity of the individuals moving animals.

A key component of the SELN plan is the ability to communicate with the premise systems in the states in order to provide the animal tracking capability to state animal health authorities. We have proven that with the appropriately protected linkages a system exists to harvest animal movement information out of the privately held data management system and cross reference it with the associated premise registry information housed in the state system and create a very effective and timely traceability chain.

Animal movement tracking

The central concept that allows this type of approach to function is that of a “mirrored” database structure. Within this type of system, data can be stored on one side of the “mirror” remaining the property of the individuals that placed the information in the system. When a query to that database comes from an individual authorized to access it, only the information necessary to answer that question would cross to the other side and then enter the public domain. The current system will allow an individual with the appropriate authority the ability to trace not only the animal in question, but other animals that it may have come in contact with as it has moved through the production, transportation, marketing and harvest sectors.

The technology provided by the BIE(Beef Information Exchange) is another important piece that will allow the private sector to choose among data service providers that best fit their needs. BIE offers a common platform that provides a highly secure connectivity between the numerous privately held systems that enables traceability of individual animals even though they may have crossed from one data collection system to another as they have moved through the process.

Cost to Producer

We support the language incorporated into the USAIP Beef Working Group report that states, “Producers should not bear the full cost of the system”. We do recognize that the flexibilities being proposed by organizations like the SELN, LLC will require producers to share some of the costs. There is little resistance at the producer level to paying for the identification devices. We have gone a step further in proposing that a very nominal fee associated either with the purchase of the id device or collected to report data be utilized to fund the operation of the privately held data collection system. The SELN, LLC has not and will not ask for funding to develop software, build databases or operate either. In our opinion it would be inappropriate to ask for these flexibilities and the funding to achieve them. We have proposed that funding be allocated to the State Animal Health Authority to complete the premise id process and maintain it over time as well as to provide for the added responsibilities of compliance monitoring and surveillance that will be created by NAIS. The only federal funding we have proposed should go to organizations like the SELN, LLC is funding necessary to carry out the education/communication components and implement the data collection infrastructure.

Summary

At this point animal ID is a cattle issue due to the recent incidents of disease that have heightened the move toward traceability. We recognize that any industry driven effort must be formulated in such a manner that it can be inclusive of other species and variable production and marketing systems. The beef cattle leadership in a ten state region of the Southeastern United States has stepped forward to provide a structure for this group of states to identify, communicate and develop solutions to the specific concerns of all sectors of the industry.

The SouthEastern Livestock Network, LLC is a producer driven initiative that seeks to bring to the table all entities impacted by the implementation of the NAIS within the ten state region. Its purpose is to facilitate a dialog that will minimize the unintended negative consequences of achieving the regulatory objective. Furthermore, this organization wishes to serve as the vehicle for delivering the technical expertise, communication and education necessary to promote acceptance from all sectors of the livestock industry.

Without the acceptance of the grassroots producers no system of traceability will be able to operate with accuracy or efficiency. The very nature of this initiative satisfies many of the concerns that have limited producer willingness to participate in source verification of food animals in the past.

Relative to the agricultural community, we certainly realize the unconventional nature of the proposal we lay before you. However, there is precedent for this type of approach in other sectors of American society. Within the human health and national defense arenas, private entities team with government agencies to achieve an objective and it has become common place. It is our sincere hope that you as members of a very important committee along with those within USDA responsible for administering the NAIS will recognize the advantages of utilizing this partnership to achieve an objective that we all agree is necessary. Implementation of any regulatory effort that includes the challenges of the vast number of independent, individual people and the animals that they represent will require an approach very different than has been taken in the past for specific disease surveillance or eradication programs. The implementation of the NAIS will eventually impact EVERY person in the United States of America that is involved in the production, marketing, transportation and harvest of livestock, we need to do this right.